

placement agency' means any placement agency which is licensed or certified by—

“(A) a State or political subdivision thereof, or

“(B) an entity designated by a State or political subdivision thereof,

for the foster care program of such State or political subdivision to make foster care payments to providers of foster care.”

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 505. INTEREST RATE RANGE FOR ADDITIONAL FUNDING REQUIREMENTS.

(a) **AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1986.**—

(1) **SPECIAL RULE.**—Clause (i) of section 412(l)(7)(C) (relating to interest rate) is amended by adding at the end the following new subclause:

“(III) **SPECIAL RULE FOR 2002 AND 2003.**—For a plan year beginning in 2002 or 2003, notwithstanding subclause (I), in the case that the rate of interest used under subsection (b)(5) exceeds the highest rate permitted under subclause (I), the rate of interest used to determine current liability under this subsection may exceed the rate of interest otherwise permitted under subclause (I); except that such rate of interest shall not exceed 120 percent of the weighted average referred to in subsection (b)(5)(B)(ii).”

(2) **QUARTERLY CONTRIBUTIONS.**—Subsection (m) of section 412 is amended by adding at the end the following new paragraph:

“(7) **SPECIAL RULES FOR 2002 AND 2004.**—In any case in which the interest rate used to determine current liability is determined under subsection (l)(7)(C)(i)(III)—

“(A) 2002.—For purposes of applying paragraphs (1) and (4)(B)(ii) for plan years beginning in 2002, the current liability for the preceding plan year shall be redetermined using 120 percent as the specified percentage determined under subsection (l)(7)(C)(i)(II).

“(B) 2004.—For purposes of applying paragraphs (1) and (4)(B)(ii) for plan years beginning in 2004, the current liability for the preceding plan year shall be redetermined using 105 percent as the specified percentage determined under subsection (l)(7)(C)(i)(II).”

(b) **AMENDMENTS TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.**—

(1) **SPECIAL RULE.**—Clause (i) of section 302(d)(7)(C) of such Act (29 U.S.C. 1082(d)(7)(C)) is amended by adding at the end the following new subclause:

“(III) **SPECIAL RULE FOR 2002 AND 2003.**—For a plan year beginning in 2002 or 2003, notwithstanding subclause (I), in the case that the rate of interest used under subsection (b)(5) exceeds the highest rate permitted under subclause (I), the rate of interest used to determine current liability under this subsection may exceed the rate of interest otherwise permitted under subclause (I); except that such rate of interest shall not exceed 120 percent of the weighted average referred to in subsection (b)(5)(B)(ii).”

(2) **QUARTERLY CONTRIBUTIONS.**—Subsection (e) of section 302 of such Act (29 U.S.C. 1082) is amended by adding at the end the following new paragraph:

“(7) **SPECIAL RULES FOR 2002 AND 2004.**—In any case in which the interest rate used to determine current liability is determined under subsection (d)(7)(C)(i)(III)—

“(A) 2002.—For purposes of applying paragraphs (1) and (4)(B)(ii) for plan years beginning in 2002, the current liability for the preceding plan year shall be redetermined using 120 percent as the specified percentage determined under subsection (d)(7)(C)(i)(II).

“(B) 2004.—For purposes of applying paragraphs (1) and (4)(B)(ii) for plan years beginning in 2004, the current liability for the preceding plan year shall be redetermined using

105 percent as the specified percentage determined under subsection (d)(7)(C)(i)(II).”

(c) **PBGC.**—Clause (iii) of section 4006(a)(3)(E) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the end the following new subclause:

“(IV) In the case of plan years beginning after December 31, 2001, and before January 1, 2004, subclause (II) shall be applied by substituting ‘100 percent’ for ‘85 percent’. Subclause (III) shall be applied for such years without regard to the preceding sentence. Any reference to this clause by any other sections or subsections shall be treated as a reference to this clause without regard to this subclause.”

SEC. 506. ADJUSTED GROSS INCOME DETERMINED BY TAKING INTO ACCOUNT CERTAIN EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.

(a) **IN GENERAL.**—Section 62(a)(2) (relating to certain trade and business deductions of employees) is amended by adding at the end the following:

“(D) **CERTAIN EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.**—In the case of taxable years beginning during 2002 or 2003, the deductions allowed by section 162 which consist of expenses, not in excess of \$250, paid or incurred by an eligible educator in connection with books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by the eligible educator in the classroom.”

(b) **ELIGIBLE EDUCATOR.**—Section 62 is amended by adding at the end the following:

“(d) **DEFINITION; SPECIAL RULES.**—

“(1) **ELIGIBLE EDUCATOR.**—

“(A) **IN GENERAL.**—For purposes of subsection (a)(2)(D), the term ‘eligible educator’ means, with respect to any taxable year, an individual who is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide in a school for at least 900 hours during a school year.

“(B) **SCHOOL.**—The term ‘school’ means any school which provides elementary education or secondary education (kindergarten through grade 12), as determined under State law.

“(2) **COORDINATION WITH EXCLUSIONS.**—A deduction shall be allowed under subsection (a)(2)(D) for expenses only to the extent the amount of such expenses exceeds the amount excludable under section 135, 529(c)(1), or 530(d)(2) for the taxable year.”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

Subtitle B—Technical Corrections

SEC. 511. AMENDMENTS RELATED TO ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001.

(a) **AMENDMENTS RELATED TO SECTION 101 OF THE ACT.**—

(1) **IN GENERAL.**—Subsection (b) of section 6428 is amended to read as follows:

“(b) **CREDIT TREATED AS NONREFUNDABLE PERSONAL CREDIT.**—For purposes of this title, the credit allowed under this section shall be treated as a credit allowable under subpart A of part IV of subchapter A of chapter 1.”

(2) **CONFORMING AMENDMENTS.**—

(A) Subsection (d) of section 6428 is amended to read as follows:

“(d) **COORDINATION WITH ADVANCE REFUNDS OF CREDIT.**—

“(1) **IN GENERAL.**—The amount of credit which would (but for this paragraph) be allowable under this section shall be reduced (but not below zero) by the aggregate refunds and credits made or allowed to the taxpayer

under subsection (e). Any failure to so reduce the credit shall be treated as arising out of a mathematical or clerical error and assessed according to section 6213(b)(1).

“(2) **JOINT RETURNS.**—In the case of a refund or credit made or allowed under subsection (e) with respect to a joint return, half of such refund or credit shall be treated as having been made or allowed to each individual filing such return.”

(B) Paragraph (2) of section 6428(e) is amended to read as follows:

“(2) **ADVANCE REFUND AMOUNT.**—For purposes of paragraph (1), the advance refund amount is the amount that would have been allowed as a credit under this section for such first taxable year if—

“(A) this section (other than subsections (b) and (d) and this subsection) had applied to such taxable year, and

“(B) the credit for such taxable year were not allowed to exceed the excess (if any) of—

“(i) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

“(ii) the sum of the credits allowable under part IV of subchapter A of chapter 1 (other than the credits allowable under subpart C thereof, relating to refundable credits).”

(b) **AMENDMENT RELATED TO SECTION 201 OF THE ACT.**—Subparagraph (B) of section 24(d)(1) is amended by striking “amount of credit allowed by this section” and inserting “aggregate amount of credits allowed by this subpart”.

(c) **AMENDMENTS RELATED TO SECTION 202 OF THE ACT.**—

(1) **CORRECTIONS TO CREDIT FOR ADOPTION EXPENSES.**—

(A) Paragraph (1) of section 23(a) is amended to read as follows:

“(1) **IN GENERAL.**—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter the amount of the qualified adoption expenses paid or incurred by the taxpayer.”

(B) Subsection (a) of section 23 is amended by adding at the end the following new paragraph:

“(3) **\$10,000 CREDIT FOR ADOPTION OF CHILD WITH SPECIAL NEEDS REGARDLESS OF EXPENSES.**—In the case of an adoption of a child with special needs which becomes final during a taxable year, the taxpayer shall be treated as having paid during such year qualified adoption expenses with respect to such adoption in an amount equal to the excess (if any) of \$10,000 over the aggregate qualified adoption expenses actually paid or incurred by the taxpayer with respect to such adoption during such taxable year and all prior taxable years.”

(C) Paragraph (2) of section 23(a) is amended by striking the last sentence.

(D) Paragraph (1) of section 23(b) is amended by striking “subsection (a)(1)(A)” and inserting “subsection (a)”.

(E) Subsection (i) of section 23 is amended by striking “the dollar limitation in subsection (b)(1)” and inserting “the dollar amounts in subsections (a)(3) and (b)(1)”.

(F) Expenses paid or incurred during any taxable year beginning before January 1, 2002, may be taken into account in determining the credit under section 23 of the Internal Revenue Code of 1986 only to the extent the aggregate of such expenses does not exceed the applicable limitation under section 23(b)(1) of such Code as in effect on the day before the date of the enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001.

(2) **CORRECTIONS TO EXCLUSION FOR EMPLOYER-PROVIDED ADOPTION ASSISTANCE.**—

(A) Subsection (a) of section 137 is amended to read as follows:

“(a) **EXCLUSION.**—